

Message Text

SECRET

PAGE 01 CAIRO 04565 01 OF 02 071820Z

47

ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
----- 055105

O 071710Z MAY 75

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC IMMEDIATE 3785

S E C R E T SECTION 1 OF 2 CAIRO 4565

EXDIS

FOR THE SECRETARY FROM UNDER SECRETARY ROBINSON

E.O. 11652: XGDS-1

TAGS: ECON US EG

SUBJECT: MEETINGS WITH PRIME MINISTER AND WITH FIVE ECONOMIC
MINISTERS

SUMMARY: UNDER SECRETARY ROBINSON HAD WORKING DINNER FOLLOWED BY 2-HOUR MEETING EVENING MAY 6 WITH MINISTERS FINANCE, ECONOMY & ECONOMIC COOPERATION, SUPPLY, TRADE, AND PLANNING PLUS FINAL WRAP-UP SESSION EVENING MAY 7 WITH MIN FINANCE, DURING WHICH ROBINSON EXPRESSED US DESIRE TO COOPERATE IN HELPING WITH EGYPT'S ECONOMIC PROBLEMS, IN TERMS OF BOTH SHORT-RANGE LIQUIDITY SHORTAGES AND OF LONGER-RANGE PROJECT DEVELOPMENT, WITHIN LIMITS OF OUR OWN RESOURCES AND IN CONCERT WITH OTHER INTERESTED COUNTRIES SUCH AS SAUDI ARABIA AND IRAN. DISCUSSION BROUGHT OUT LARGE PROJECTED INCREASE IN EGYPTIAN IMPORTS OF CONSUMER GOODS, ESPECIALLY FOOD, WITHOUT REGARD TO PRIORITIES AND WITH LITTLE COORDINATION AMONG MINISTRIES. RESULTING EGYPTIAN FOREIGN EXCHANGE DEFICIT FOR CY 1975 THEREFORE MAY REACH AS HIGH AS \$1.5 BILLION.

2. MORNING MAY 7 ROBINSON MET WITH PRIME MINISTER MAMDUH SALEM AND REVIEWED PREVIOUS EVENING'S DISCUSSION. PRIME MINISTER, WHILE QUITE AFFABLE, DID NOT SEEM TO APPRECIATE NEED TO SET IMPORTS AT LOWER LEVELS, ASSERTED THAT HIS CABINET WAS FULLY COORDINATED TEAM, ASKED THAT ROBINSON ASSIST WITH COMMERCIAL BANK CREDITS, AND GAVE IMPRESSION EGYPT WAS RELYING ON US TO SOLVE ITS SHORT-TERM DIFFICULTIES. HE DID ACKNOWLEDGE THAT IMBALANCE EXISTED IN EGYPT'S

SECRET

SECRET

PAGE 02 CAIRO 04565 01 OF 02 071820Z

ECONOMY AND SAID HE WAS REVISING 5-YEAR ECONOMIC PLAN TO BRING ABOUT

GREATER RATIONALITY AND TO PLACE MORE EMPHASIS ON PRIVATE SECTOR. HE ALSO AGREED THAT BUREAUCRATIC PROCEDURES FOR APPROVING FOREIGN LOANS (SUCH AS US \$80 MILLION COMMODITY LOAN SIGNED IN FEB & NOT YET SENT TO PEOPLES ASSEMBLY FOR RATIFICATION) NEEDED TO BE STREAMLINED.

3. IN DRAWING UP A POSITION PLAN TO ASSIST EGYPTIAN LIQUIDITY PROBLEMS, WE SHOULD BEAR IN MIND THAT EGYPTIANS DO NOT COMPREHEND EXTENT OF THEIR ECONOMIC PROBLEMS; HAVE NOT THOUGHT THROUGH IMPLICATIONS OF THEIR MASSIVE IMPORT PROGRAM, MUCH LESS CONSIDERED HOW TO LIMIT IT; AND ARE RELYING HEAVILY ON US TO HELP THEM MEET THEIR BILLS. GOE IS NOT AS WELL EQUIPPED AS WE MIGHT WISH TO TAKE HARD DECISIONS OR TO SET PRIORITIES, BUT I BELIEVE WE CAN WORK WITH IT TO MEET OUR COMMON OBJECTIVES. THEIR INCLINATION TO UNDERTAKE NEEDED REFORMS IN STRUCTURE OF ECONOMY IS LIMITED BY POLITICAL REALITIES (AND THEY SEEM INTENT TO PURSUE A POLICY OF MORE GUNS AND A LOT MORE BUTTER).

4. I WILL HAVE RECOMMENDATIONS FOR YOU ON MY RETURN AS TO HOW WE CAN HELP WITH SHORT-RANGE LIQUIDITY PROBLEM WHILE FURTHERING LONGER-RANGE PROJECTS. I PLAN TO RETURN TO CAIRO LATER IN MAY TO PRESENT SPECIFIC PROPOSALS TO GOE, IF YOU APPROVE. END SUMMARY

MEETING WITH 5 ECONOMIC MINISTERS

5. FOLLOWING DINNER HOSTED BY MINFIN ABU ISMAIL EVENING OF MAY 6, AMBASSADOR AND ROBINSON, ACCOMPANIED BY UNDER SECRETARY'S PARTY, EMBOFFS AND MATTHEWS MET WITH MINFIN, MINTRADE, MINSUPPLY, MINPLANNING AND MIN ECONOMY AND COOPERATION FOR DISCUSSION OF ECONOMIC SITUATION AND US ROLE.

6. UNDER SECRETARY ROBINSON OPENED SESSION WITH DISCUSSION OF OBJECTIVES OF HIS VISIT. US HAS WORKED HARD HE SAID, TO ESTABLISH PEACEFUL SOLUTION TO ME PROBLEM. COMBINATION OF EXTERNAL CIRCUMSTANCES HAVE PREVENTED ATTAINMENT OF THIS GOAL, BUT OUR DESIRES AND EFFORTS WILL NOT BE LESSENED. IT IS IN OUR MUTUAL INTERESTS TO FIND A SOLUTION TO EGYPTIAN LIQUIDITY PROBLEM IN ORDER TO ASSIST GOE TO DEVELOP VIABLE, STRONG AND STABLE ECONOMY. THERE ARE LIMITS TO WHAT US CAN DO ALONE, BUT OTHERS SHARE OUR DESIRE TO FIND MEANS TO SUPPORT EFFORTS OF PRESIDENT SADAT. TEAM IS THEREFORE IN EGYPT TO DETERMINE DIMENSIONS OF PROBLEM SO THAT WE CAN

SECRET

SECRET

PAGE 03 CAIRO 04565 01 OF 02 071820Z

SHARE THIS INFORMATION WITH OTHER NATIONS WHO ARE INTERESTED IN BEING OF HELP. VISIT IS DEDICATED TO GAINING A BETTER UNDERSTANDING OF NATURE OF DIFFICULTIES FACING EGYPTIAN ECONOMY. UPON RETURN TEAM WILL BE ABLE TO EXPLAIN SITUATION TO PRESIDENT AND SECRETARY AND ASSIST IN DETERMINING WHAT CAN BE DONE.

7. UNDER SECRETARY WENT ON TO EXPLAIN THAT WE REMAIN SENSITIVE TO POLITICAL PROBLEMS RELATED TO EGYPT'S ECONOMIC DEVELOPMENT, BUT USG

HAS ITS OWN: ASSURING THAT OUR EFFORTS ACTUALLY ASSIST IN SOLVING THE PROBLEM. CONGRESS IS DEEPLY CONCERNED THAT LOANS ON CONCESSIONAL TERMS ASSURE PROCESS OF RE-ESTABLISHING SOUND ECONOMIC BASE. TEAM MUST THEREFORE HAVE ANSWERS TO QUESTIONS THAT WILL BE ASKED IN WASHINGTON. WE RECOGNIZE THERE ARE SHORT TERM LIMITS BOTH ECONOMICALLY AND POLITICALLY TO WHAT GOE CAN DO, BUT US MUST KNOW THAT OVER TIME PROPER STEPS ARE BEING TAKEN.

8. FOLLOWING OPENING PRESENTATION AND STATEMENT OF WELCOME BY MINFIN ABU ISMAIL, UNDERSECRETARY TURNED MEETING OVER TO POATS WHO ASKED QUESTIONS DESIGNED TO CLARIFY DIFFERENCES IN STATISTICS WHICH HAD BEEN PRESENTED TO TEAM IN EARLIER MEETINGS BY VARIOUS MINISTRIES. POATS POINTED OUT THAT DIFFERENT SYSTEMS ARE IN USE WHICH HAVE NECESSITATED AND ATTEMPT TO CORRELATE DATE IN ORDER TO OBTAIN A PROJECTION OF KEY AREAS REQUIRING ATTENTION IN 1975. IN PARTICULAR, US NEEDED TO KNOW REAL REQUIREMENTS OF THE ECONOMY IN 1975 MEASURED AGAINST LARGE GROWTH IN IMPORTS FROM 73 TO 74 (65 PERCENT) AND PROJECTED GROWTH FROM 74 TO 75 (30 PERCENT IN IMF VIEW UP TO 90 PERCENT OR MORE DEPENDING ON GOE SOURCE). IN EXTENSIVE DISCUSSIONS THAT FOLLOWED, US SIDE ATTEMPTED TO OBTAIN BETTER DEFINITION OF UNDERLYING CAUSES OF SIGNIFICANT INCREASE IN VIRTUALLY EVERY SEGMENT OF FOREIGN EXCHANGE BUDGET AND PROJECTED IMPORT REQUIREMENTS. AS A RESULT OF DIFFICULTY IN ESTABLISHING DEFINITIVE STATISTICAL DATA, IT WAS DECIDED THAT MEETING WITH WORKING-LEVEL EXPERTS FROM CONCERNED MINISTRIES WOULD BE HELD FOLLOWING DAY AT WHICH TIME REQUIRED INFORMATION WOULD BE PRODUCED. (MEETING RESULTED IN OBTAINING SIGNIFICANT AMOUNTS OF INFORMATION WHICH WILL BE DEVELOPED BY TEAM FOLLOWING RETURN TO WASHINGTON.

SECRET

NNN

SECRET

PAGE 01 CAIRO 04565 02 OF 02 071828Z

42

ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
----- 055216

O 071710Z MAY 75
FM AMEMBASSY CAIRO
TO SECSTATE WASHDC IMMEDIATE 3786

S E C R E T SECTION 2 OF 2 CAIRO 4565

EXDIS

FOR THE SECRETARY FROM UNDER SECRETARY ROBINSON

MEETING WITH PM SALEM.

9. DURING CORDIAL 45-MINUTE MEETING WITH PM (HE WAS ALONE) ROBINSON EMPHASIZED OUR COMMITMENT TO ME PEACE EFFORTS AND OUR BELIEF THAT AN ECONOMICALLY VIABLE EGYPT WAS AN IMPORTANT KEY IN ACHIEVING IT. UNDER SECRETARY EXPLAINED HIS MISSION AS RESPONSE TO EGYPTIAN DESIRE TO HELP IN ITS ECONOMIC PROBLEMS; HE WANTED TO MEASURE DIMENSIONS OF PROBLEM, ESPECIALLY LIQUIDITY SHORTAGES, FIND OUT WHAT NEEDED TO BE DONE, AND SEE HOW WE COULD HELP, WITHIN SEVERE LIMITS ON OUR AVAILABLE RESOURCES, ACTING IN CONCERT WITH OTHERS. ROBINSON EXPLAINED CONCEPT OF OUR PLAYING LEADERSHIP ROLE WITH OTHER COUNTRIES, SUCH AS SAUDI ARABIA AND IRAN, WHICH HE HAD JUST VISITED, AND WITH IMF & IBRD, IN DRAWING UP COOPERATIVE PROGRAM TO HELP WITH EGYPT'S SHORT RANGE LIQUIDITY PROBLEM AND LONG-RANGE DEVELOPMENT. HOWEVER, IN RECOMMENDING HELP FOR EGYPT, ROBINSON WOULD HAVE TO BE PREPARED TO ANSWER QUESTIONS OF CONGRESS & OTHERS, INCLUDING FOREIGN COUNTRIES, ABOUT EGYPT'S ECONOMIC STRUCTURE AND PLANNING.

10. UNDER SECRETARY NOTED THAT ACCORDING TO FIGURES GIVEN US PREVIOUS EVENING BY EGYPTIAN MINISTERS, IMPORTS IN 1975 WOULD BE ALMOST DOUBLE 1974; WE FOUND THIS HARD TO UNDERSTAND AND WONDERED HOW GOE ESTABLISHED PRIORITIES AMONG IMPORT REQUIREMENTS. WE WERE ALSO CONCERNED OVER ADMINISTRATIVE PROCEDURES IN EGYPTIAN BUREAUCRACY THAT RESULTED IN OUR \$80 MILLION COMMODITY LOAN AGREEMENT SIGNED IN FEBRUARY NOT HAVING YET REACHED PEOPLES ASSEMBLY FOR RATIFICATION.

SECRET

SECRET

PAGE 02 CAIRO 04565 02 OF 02 071828Z

IT WAS HARD TO ASK CONGRESS FOR MORE FUNDS FOR EGYPT WHEN OUTSTANDING CREDITS HAD NOT BEEN USED. ROBINSON ALSO WONDERED HOW GOE ECONOMIC MINISTRIES COORDINATED AMONG THEMSELVES AND SET PRIORITIES; HADN'T THOUGH ONCE BEEN GIVEN TO APPOINTING A DEPUTY PRIME MINISTER FOR ECONOMIC AFFAIRS?

11. PRIME MINISTER EXPRESSED APPRECIATION FOR ROBINSON'S VISIT, SAID EGYPT'S ECONOMY HAD GREAT POTENTIAL FOR FUTURE, AND ASSERTED THAT "WITH YOUR HELP WE CAN GET OVER IMMEDIATE DIFFICULTIES." HE ASKED THAT US ASSIST EGYPT WITH ITS SHORT-TERM COMMERCIAL BANK LOANS, WHOSE INTEREST RATES RAN AS HIGH AS 20 PERCENT (ROBINSON MADE NO COMMITMENT). HE ACKNOWLEDGED IMPORTS WERE SCHEDULED TO RISE, BUT CITED 40 PERCENT RATHER THAN OVER 90 PERCENT. HE SAID HIS MINISTERS WORKED CLOSELY AS A TEAM, COORDINATION WAS ACCOMPLISHED IN THE CABINET, ALL MINISTERS SHOULD BE ECONOMISTS, AND THERE WAS NO NEED FOR DEPUTY PRIME MINISTER FOR ECONOMY. HE AGREED THAT LOAN PROCESSING MUST BE SPEEDED AND SAID AID LOAN WOULD GO TO ASSEMBLY MAY 13.

12. PRIME MINISTER ACKNOWLEDGED THAT EGYPT'S ECONOMY NEEDED

RESTRUCTURING AND HE WAS THEREFORE REVISING THE 1976-80 FIVE-YEAR PLAN TO PLACE GREATER EMPHASIS ON THE PRIVATE SECTOR AND TO REMOVE RESTRICTIONS ON IT. HE INTENDED TO EMPHASIZE IMPORTANCE OF AGRICULTURE, TOURISM AND PETROLEUM TO BRING IN FOREIGN EXCHANGE. HE ALSO SAID VARIOUS REFORMS WERE NEEDED TO STRENGTHEN EGYPT'S LONG-TERM PROSPECTS AND INVESTMENT CLIMATE.

13. ROBINSON SAID HE WELCOMED PM'S DESIRE TO BRING ABOUT NEEDED REFORMS AND SAID US WOULD BE GLAD TO BE OF SUCH ASSISTANCE AS WE COULD WITHIN OUR LIMITED RESOURCES. WE BELIEVE IMF AND IBRD ALSO PREPARED TO BE HELPFUL. HE WOULD BE SEEING MCNAMARA IN WASHINGTON AND WOULD URGE HIS SUPPORT. IT WAS IMPORTANT TO LAY THE BASIS FOR LONG-TERM GROWTH THROUGH WELL-PLANNED PROJECTS AND NOT JUST CONCENTRATE ON SOLVING IMMEDIATE CRISES, SUCH AS THE LIQUIDITY PROBLEM. ALL POSSIBLE STEPS SHOULD BE TAKEN TO ATTRACT FOREIGN CAPITAL INVESTMENTS AND REFORMS WOULD HELP. ROBINSON CONCLUDED BY REAFFIRMING OUR DESIRE TO HELP WITHIN THE LIMITS IMPOSED BY OUR OWN ECONOMIC DIFFICULTIES AND BY OUR NEED FOR CONSULTATION WITH CONGRESS.

14. MEETING WITH PRESIDENT BEING REPORTED BY SEPTTEL.

SECRET

SECRET

PAGE 03 CAIRO 04565 02 OF 02 071828Z

EILTS

SECRET

NNN

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC COOPERATION, MINISTERIAL MEETINGS, LIQUIDITY (MONETARY)
Control Number: n/a
Copy: SINGLE
Draft Date: 07 MAY 1975
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: woolflhd
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975CAIRO04565
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: X1
Errors: N/A
Film Number: D750160-0573
From: CAIRO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750571/aaaacmgz.tel
Line Count: 251
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION SS
Original Classification: SECRET
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: SECRET
Previous Handling Restrictions: EXDIS
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: woolflhd
Review Comment: n/a
Review Content Flags:
Review Date: 30 JUL 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <30 JUL 2003 by CunninFX>; APPROVED <23 DEC 2003 by woolflhd>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MEETINGS WITH PRIME MINISTER AND WITH FIVE ECONOMIC MINISTERS
TAGS: ECON, US, EG, (ROBINSON, CHARLES W)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006